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NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

**BOROUGH OF FRENCHTOWN
BOARD OF EDUCATION**

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Borough of Frenchtown Board of Education

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making State Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals primarily from the Departments of Treasury, Community Affairs and Education with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service at no cost by the State. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those State regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team and agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Frenchtown Public School District, team members conducted interviews with board members, school administrators, teachers, city officials, county and state education officials, district employees, parents, vendors and community members. Various documents including the budget statements, audit reports, negotiated agreements, personnel contracts, payroll and salary records, vendor and account analyses, board policy manual, and board meeting agendas and minutes were examined. The review team visited the school site and observed work procedures throughout the school system.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. Some recommendations do not have a direct or immediate impact on the budget or the tax rate. These estimates have been developed in an effort to provide the district with an indication of the potential magnitude of each issue and the savings or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur in the first year or beyond. Some of the suggestions will require negotiations through the collective bargaining process. We believe that the recommended savings are conservative and achievable.

Over the history of this program, we have learned that while all school districts have many things in common, no two districts, and therefore no two reviews, are the same. These differences become apparent as the team progresses through its interviews and reviews of various types of documentation.

As the team members conducted their review of the Frenchtown School District, they generally received full cooperation and assistance from the teachers and other school employees, as well as the elected officials. It is with this cooperative spirit the review team anticipates Frenchtown will accept its findings and recommendations for change. However, the team members were not always afforded access to the materials and documentation required to complete a thorough review. Despite the difficulties encountered in obtaining some data, the team believes this report provides a good representation of the Frenchtown School District's programs. Those officials who remain skeptical of change or need for improvement will present a significant challenge for those committed to embracing the recommendations and savings outlined in this report.

During the team's review and interviews, the high turnover rate among the school's administrative staff repeatedly surfaced. In the past seven years (1991 through 1997), there have been six different Chief School Administrators. Four different individuals have

held the position of Business Administrator/Board Secretary in the past three years. At a recent Board of Education meeting, there was discussion of establishing a personnel committee to look into possible causes for this turnover in order to prevent its continuance. The LGBR review team commends the Board for recognizing and addressing the need for stability and continuity in the district.

In addition to the Findings and Recommendations section, this report contains two other sections, entitled “Best Practices” and “Statutory and Regulatory Reform”. Best Practices are those which the district does exceptionally well and cost efficiently, and that may be replicated by other school districts. Statutory and Regulatory Reform identifies areas where State laws and rules might be changed to eliminate existing inefficiencies.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
FRENCHTOWN BOARD OF EDUCATION**

Local Government Budget Review (LGBR) conducted an extensive study of the Frenchtown Public School District in response to a request by the Frenchtown Board of Education. Some 30 areas were reviewed with various recommendations for cost savings and/or managerial reform. Three areas were recognized as best practices and two areas identified for possible State regulatory reform. The following is an executive summary of the findings and recommendations and dollar savings, as appropriate:

1. Benchmarking/Comparative Analysis

Statistical data of school districts comparable to Frenchtown's District is provided as a basis for making many of the recommendations.

2. Administrative Costs

Findings show that efforts have been made over the past two years to reduce administrative costs. The team believes that there is still room for improvement. A recommendation is made to improve business practices that could result in a savings of \$393.

3. Legal Fees

By seeking competitive proposals, and/or negotiating current rates for legal services, savings could be achieved of approximately \$1,200.

4. Auditor Contract

Various recommendations are made regarding the procedure for obtaining auditing services. The management of those services could result in savings of \$1,600.

5. Photocopy Management

By changing the process utilized for obtaining photocopy equipment to meet its photocopying needs, the district may have the opportunity of direct savings as well as cost avoidance of \$15,265.

6. Banking and Investment

Through the development of a more aggressive financial management plan and careful analysis, a projected investment income of \$10,729 could be realized.

7. Food Service

Through less costly management of the food service operation and increasing lunch prices, the district could save \$17, 900.

8. Speech Program

The district should pursue the concept of sharing test samples and costs with other districts.

9. Facilities

The team supports the district's efforts to address the school's current and future facility needs.

10. Purchasing

Recommendations include the possible expansion of cooperative purchasing, administrative improvement in the purchasing system, and taking advantage of discounts.

11. Guidance

The team supports the district's practice of hiring one individual with multiple certifications to provide various services.

12. Job Descriptions

It is recommended that job descriptions be developed, updated and revised to reflect clearly the responsibilities and requirements of all positions.

13. Health Services

It is recommended that the nurse assume responsibility for teaching several classes a week, resulting in a savings of \$2,196.

14. Basic Skills Instruction

The costs for Basic Skills Instruction are within the State's average range.

15. Employee Contracts/Negotiated Agreements

The district should have one contract per employee and that contract should reflect all of that employee's job duties.

16. Terminal Leave

The review team recommends that in future contracts, a cap of \$15,000 be placed on unused sick leave buyout, for a potential savings of \$1,710.

17. Staff Development

Future employee negotiated agreements should include a provision requiring employees to reimburse the district for tuition reimbursements, should the employee leave the district prior to a prescribed period of time.

18. Health Insurance

It is recommended that the district set a higher full-time workweek standard and require employees to share equally in the cost of their dental plans. These policy changes could result in approximately \$5,298 in savings.

19. Administrative Contract

The team recommends modifications in the contract for the Chief School Administrator in the area of medical benefits, which could result in savings of \$1,729.

20. Absenteeism

A plan should be developed to reduce the amount of sick time by 10%. This could result in savings of \$709.

21. Library/Media Center

The Frenchtown School District should work with the Hunterdon County Library to provide delivery of materials to the students of Frenchtown. The team also supports the District's efforts to expand the library/media facility.

22. Custodial/Maintenance Services

Based upon calculations and observations, the district appears to be doing well with its present custodial/maintenance service arrangement.

23. Telephones

The district should consider implementing a less labor intensive system for recouping costs of personal phone usage.

24. Cellular Phone

LGBR commends the board and district administration for actions taken to control the use of cellular phones.

25. Computer Technology

A recommendation is made for the district to automate its business/school office operations. The team also supports other technology proposals resulting in a savings of \$1,701.

26. Insurance

As with other professional services, the team recommends the district solicit proposals to ensure competitive rates.

27. Transportation

The team commends the district for participating in this shared service, and encourages them to continue to take advantage of this program.

28. Special Education

If consistent with the IEP the possible return of a student from out-of-district placement could result in a savings of \$16,893.

29. Regionalization

The advantages and disadvantages of regionalization with the surrounding communities should be explored.

30. Shared Services

It is highly recommended that the district have discussions with the surrounding school districts as well as county and municipal officials to identify areas where they can work together to improve services and reduce costs.

If all recommendations are implemented, the Frenchtown School District could realize savings in excess of \$70,000.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID,
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTION IN
FRENCHTOWN BOARD OF EDUCATION COSTS**

A. Administrative Costs		\$ 393
B. Legal Fees		\$ 1,200
C. Auditor Contract		\$ 1,600
D. Photocopy Management		\$ 15,265
E. Banking and Investments		\$ 10,729
F. Food Service		\$ 17,900
G. Health Services		\$ 2,196
H. Health Insurance		\$ 5,298
I. Administrative Contract		\$ 1,729
J. Absenteeism		\$ 709
K. Computer Technology		\$ 1,701
L. Special Education		\$ 16,893
M. Terminal Leave		\$ 1,710
Total Potential for Savings		\$ 77,323
Total Amount to be Raised for School Tax - (FY 96)		\$509,323
Savings as a % of School Tax	15.10%	
Total Budget - (FY 96)		\$1,507,506
Savings as a % of Budget	5.10%	
Total State Aid - (FY 96)		\$650,979
Savings as a % of State Aid	11.08%	

TABLE OF CONTENTS

COMMUNITY OVERVIEW	11
I. BEST PRACTICES	12
“Mini” Gifted and Talented Program.....	12
Community Relations.....	13
Grants	13
II. FINDINGS AND RECOMMENDATIONS.....	14
Comparative Analysis	14
Administrative Costs.....	18
Legal Fees	19
Auditor Contract	20
Photocopy Management	21
Banking and Investment.....	23
Food Service	25
Speech Program	29
Purchasing.....	31
Guidance	32
Job Descriptions	33
Health Services.....	33
Basic Skills Instruction (BSI).....	34
Employee Contracts/Negotiated Agreements	35
Terminal Leave.....	36
Staff Development	36
Health Insurance.....	37
Administrative Contract.....	38
Absenteeism	40
Library/Media Center.....	41
Custodial/Maintenance Services.....	42
Telephones	43
Cellular Phone	44
Computer Technology	44
Insurance.....	46
Transportation	47
Special Education	48
Regionalization.....	51
III. SHARED SERVICES	52
IV. STATUTORY AND REGULATORY REFORM.....	53
Student Count For State Aid Cut-Off Date	53

COMMUNITY OVERVIEW

Frenchtown Borough is located at the western edge of Hunterdon County on the Delaware River. The bridge in Frenchtown crosses the river and connects the borough to a rural portion of Bucks County, Pennsylvania. The borough occupies 1.28 square miles of land and has an estimated population of 1,677 residents. Based on 1990 census information, the median family income is approximately \$46,058 and per capita income is \$15,700. Almost 69% of the tax base is residential, and 19% is commercial. The remaining 12.1 % consists of: 4.8 % apartments, 3.8 % industrial, 0.5 % farm and 3.0 % vacant.

The nature of the borough has changed considerably in the last two decades. Frenchtown was once a center of commerce for a large geographic area. Though no longer a market town, it has come to be recognized for its scenic and historic character, attracting enough visitors to support a number of good restaurants and attractive shops. There appears to be an on-going effort to maintain a delicate balance of revitalizing the borough while preserving its Victorian character. Today, with the exception of two tracts of land which are not readily conducive to being developed, the community is essentially fully developed.

According to the 1990 census, the racial make-up of the borough was 97.4% White, 1.3% Hispanic and 1.3% other races. The majority of the adults are high school graduates and are employed in technician, sales, administrative support and managerial/professional type occupations.

The Frenchtown School District has one school, the Edith Ort Thomas School, serving grades K-8 with an enrollment of 189 students. As per the 1996-1997 payroll records, the district employs 24 full time and seven part time employees and utilizes substitutes as needed.

The district is generally perceived to be excellent by the community.

Based upon the review team's observations, the Frenchtown Public School District appears to be well managed with strong and caring leadership.

I. BEST PRACTICES

An important part of the Local Government Budget Review (LGBR) report is the Best Practices section. During the course of every review, each LGBR team identifies procedures, programs and practices which are noteworthy and deserving of recognition. Best practices are presented to encourage their replication in schools and communities throughout the state. By implementing these or similar practices, school districts and municipalities can benefit from the LGBR process and possibly achieve efficiencies and savings.

The Frenchtown Public School does many things very well and cost effectively. The review team was impressed with the district and the dedication of its educators, administrators, board members and community representatives. It is obvious that the district cares about its students, and takes pride in the school.

Although every area of effective effort cannot be cited, the following are several Best Practices recognized by the team for their accomplishments, effectiveness and possible replication by other districts.

“Mini” Gifted and Talented Program

In addition to their full-fledged gifted and talented program, the Frenchtown School offers a “mini” program, oriented to one particular subject per marking period. Children in grades 3 through 8 who do not qualify for the main program by virtue of test scores, are considered for participation in the mini program based upon recommendations from teachers who identify a “spark” within them towards some particular subject area.

The benefit of this program is that children who would normally not be so recognized are afforded an opportunity for special attention and instruction in an area in which they have demonstrated interest or above-average competence, and hence are granted inclusion in a special academic group.

At the time of our review there were 40 participants in the program, as compared to 15 participants in the main program. The mini program is an exciting way to encourage learning and nurture academic interest among a larger group of students who might otherwise be overlooked.

Based on our observations, the review team believes that the Frenchtown school district is making good use of their tax dollars by supporting this program.

Community Relations

To borrow a phrase, “No *school* is an island”, but rather exists within and as part of the community. While friction can sometimes exist between a given municipality and the school administration, the review team was pleased to note several examples of cooperation and community involvement in the Frenchtown School District.

Chief among these was the establishment of a committee comprising representatives from the community, parents, the School Board, and administration, formed to evaluate the facilities at the school for the purpose of determining physical conditions as well as the need for possible improvements, additions and new facilities. The committee engaged the services of an architectural firm to assist them in this endeavor. A report containing the committee’s findings and various options was issued in December 1997. Upon its tour of the facility, the review team noted the lack of suitable space for several programs and support functions. We will touch on some of these in the findings and recommendations section, and commend the district for its proactive, cooperative approach toward resolving the facility issues.

At a recent Board meeting, a member proposed opening the school to the community one evening a week for adult use of the basketball court. This will afford an opportunity for some who may feel they receive no benefit from the school to do so.

The cooperative attitude in Frenchtown is a reciprocal arrangement, as evidenced by a resident’s recent donation of shrubbery along with his time and effort to landscape the front of the school building.

On more than one occasion the review team was told that the school both attracts and keeps people in the community; almost everyone the team interviewed appears to be proud of the school, and to have a stake in its continued operation and success. Having as many members of the “community”, in the broadest sense of the word, involved as possible will help to ensure this result.

Grants

In order to maximize on the amount of grant money received, Frenchtown School collaborates with five other surrounding school districts and applies as a consortium. All the schools benefit from this practice, in that resources are pooled and programs made available to all the districts’ children. A recent example is a grant received to provide a peer counseling program for the upper grade students. On their own, Frenchtown would not have received enough funding to enable them to provide the program, but through a shared arrangement, they and the other districts can offer this and other future programs to their students.

II. FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operation and financial savings to the district and its taxpayers.

Comparative Analysis

Many of the recommendations are made based upon comparative analysis using New Jersey Department of Education data in comparison with districts of similar size and demographics (socio-economic district factor groups: DFG). Other data sources such as district documents, various state agencies, state education associations, publications and private industry are used. School districts used for comparison with Frenchtown include Hampton Boro, Harmony Township, Lavallette and Estell Manor and other K-8 districts in the state with enrollments under 400 students (64 school districts). Comparisons of this nature are valuable for the purposes of this report. The Department of Education does not intend these to be used by the district to gauge adequacy or efficiency. The following charts illustrate much of the data used.

Table 1
Comparison of General Fund Expenditures (1995-96)

General Fund-Exp.	Frenchtown		Hampton		Harmony		Lavallette		Estell Manor	
Regular Program - Inst.	597,352	39%	532,816	34%	969,958	22%	678,107	27%	751,638	30%
Special Education	121,843	8%	151,206	10%	233,488	5%	57,931	2%	184,832	7%
Basic Skills-Remedial	35,490	2%	-	0%	-	0%	32,946	1%	24,425	1%
Bilingual Education	-	0%	-	0%	-	0%	-	0%	-	0%
Vocational Program	-	0%	-	0%	-	0%	-	0%	-	0%
Sponsored Cocurr. Activities	359	0%	12,635	1%	-	0%	1,706	0%	700	0%
Sponsored Athletics	6,541	0%	-	0%	-	0%	10,177	0%	1,480	0%
Other Instruction Program	-	0%	-	0%	-	0%	-	0%	-	0%
Community Services Prog.	-	0%	-	0%	-	0%	-	0%	-	0%
Total Instructional Cost	761,585	50%	696,657	44%	1,203,446	28%	780,867	31%	963,075	39%
Undistributed Exp. - Ins.	67,883	4%	11,351	1%	1,377,651	32%	638,899	26%	535,491	22%
Total Instr. \$\$	761,585		696,657		1,203,446		780,867		963,075	
At Frenchtown's Enroll.	761,585		785,764		741,170		823,305		753,373	
General Administration	100,220	7%	122,709	8%	176,416	4%	73,331	3%	65,209	3%
School Administration	30,383	2%	67,222	4%	485	0%	65,678	3%	86,131	3%
Total Administration Cost	130,603	9%	189,931	12%	176,901	4%	139,009	6%	151,340	6%
Total Administration \$\$	130,603		189,931		176,901		139,009		151,340	
At Frenchtown's Enroll.	130,603		214,225		108,949		146,564		118,387	
Food Service	8,101	1%	-	0%	-	0%	10,000	0%	13,500	1%
Health Service	46,914	3%	53,534	3%	47,705	1%	33,495	1%	33,032	1%
Attend.& Soc. Wkr Serv.	-	0%	-	0%	-	0%	4,935	0%	-	0%
Other Support Service	55,985	4%	45,474	3%	139,423	3%	55,229	2%	47,200	2%
Other - Imp. of Inst. Sev.	1,377	0%	649	0%	4,499	0%	-	0%	3,817	0%
Media Serv./Sch. Library	40,376	3%	25,440	2%	74,495	2%	12,850	1%	17,041	1%
Operation of Plant	115,391	8%	151,723	10%	294,301	7%	200,323	8%	165,889	7%
Business & Other Sup.Ser.	252,886	17%	342,406	22%	600,274	14%	289,038	12%	358,465	14%
Total Support Services	521,030	34%	619,226	39%	1,160,697	27%	605,870	24%	638,944	26%
Total Support \$\$	521,030		619,226		1,160,697		605,870		638,944	
At Frenchtown's Enroll.	521,030		698,429		714,842		638,798		499,819	
Transportation	36,004	2%	25,078	2%	279,203	6%	104,235	4%	175,001	7%
Capital Outlay	12,408	1%	44,231	3%	125,285	3%	211,654	9%	23,474	1%
Special School	-	0%	-	0%	-	0%	-	0%	-	0%
Total Gen. Fund Expend.	1,529,513		1,586,474		4,323,183		2,480,534		2,487,325	
# of Students	194		172		315		184		248	
Per Student Rates										
Inst.Cost Per Student	3,926		4,050		3,820		4,244		3,883	
Admin. Cost Per Student	673		1,104		562		755		610	
Supp.Serv. Cost Per Stud.	2,686		3,600		3,685		3,293		2,576	
Total G.Fund Cost Per Stud.	7,884		9,224		13,724		13,481		10,030	

* At Frenchtown's Enrollment means taking total costs of category divided by the # of students for that school times Frenchtown's Enrollment to arrive at an equalized expense level.

Table 2
School Data Comparison
Based on Audit Report and Report Cards
As of June 30, 1996

<u>Description</u>	<u>Frenchtown</u>	<u>Hampton Boro</u>	<u>Harmony Twp.</u>	<u>Lavallette</u>	<u>Estell Manor</u>
County	Hunterdon	Hunterdon	Warren	Ocean	Atlantic
District Type	II	II	II	II	II
Grades	K-8	K-8	K-8	K-8	K-8
District Factor Group	DE	DE	DE	DE	DE
Cert Employees	25	26	33	20	30
Other Employees	7	13	8	12	7.5
Total Employees	32	39	41	32	37.5
Square Miles	1.1	1	24.1	1	53.75
Number of Schools					
Elementary	1	1	1	1	1
Middle	0	0	0	0	0
High School	0	0	0	0	0
Alternative Sch.	0	0	0	0	0
Total Schools	1	1	1	1	1
Student Enrollment (95-96)	194	172	315	184	248
<u>Revenues</u>					
Local Tax Levy	726,527	925,312	3,558,571	2,052,501	1,074,900
State Aid	650,979	657,549	479,867	220,341	1,598,394
Federal Aid	31,856	38,579	31,509	23,186	56,398
Other	107,360	12,448	117,389	43,328	58,672
Total Revenue	1,516,722	1,633,888	4,187,336	2,339,356	2,788,364
Total Expenditures	1,560,737	1,625,053	4,354,692	2,629,220	2,947,592

$$\text{Cost per Pupil} = \frac{\text{Total Expenditures}}{\text{Total Student Enrollment}}$$

Cost per pupil	8,045	9,448	13,824	14,289	11,885
Pupils per Employee	6.06	4.41	7.68	5.75	6.61
Pupils per Cert. Emp.	7.76	6.62	9.55	9.20	8.27
Pupils per Other Emp.	27.71	13.23	39.38	15.33	33.07

Note: Data was provided from school district CAFR reports 1995-96

To ensure our comparisons are at like values, the costs for the other districts are recalculated to equate to Frenchtown's enrollment. This provides a direct cost comparison snap shot on a cost per pupil basis. A review of these comparisons with those of Hamony, Lavallette and Estell Manor illustrates that, overall, Frenchtown's costs are within the lower ranges. Individual line comparisons reflect some costs as being higher while other costs are lower. Administrative costs and support service costs are higher in total than all compared districts except Hampton. Instructional costs are lower than those of Harmony, Lavallette and Estell Manor, but higher than Hampton.

In a review of the actual costs for the past two years (1994-95 and 1995-96) based on the 1997 Comparative Spending Guide, Frenchtown School ranked 28th (1994-95) and 25th (1995-96) lowest in total cost per pupil out of 64 K-8 districts in the state. The total cost per pupil was \$7,086 (94-95) and \$7,050 (95-96), while the state average was \$6,737 (94-95) and \$6,783 (95-96). In these two years, the Frenchtown cost per pupil was ahead of the state average by 4% and 5.2% respectively. For the year 1996-97, Frenchtown's ranking jumped to 15th from 25th lowest in total cost per pupil. In this year the budgeted cost per pupil is below the state average. Ranking from low expenditures (1) to high (64), Frenchtown ranked below the median in most categories with a few exceptions, such as support services and support service salaries and benefits. The following table illustrates the district's ranking for the past three years.

Based upon the three years' comparative analysis, it appears that the district is making a conscious effort to, and is succeeding at, containing costs.

Table 3
Comparative Spending

	94-95		95-96		96-97	
Category	Actual	Ranking	Actual	Ranking	Budget	Ranking
Per Pupil Cost	7,086	28	7,050	25	6,679	15
Classroom Instruction	4,314	21	4,446	23	3,930	10
Classroom Salaries & Benefits	4,070	22	4,208	23	3,710	11
General Supplies & Textbook	222	43	179	27	164	16
Purchased Services & Other	22	15	59	32	56	26
Support Services	813	48	839	52	1,004	58
Support Serv. Salaries & Benefits	698	44	758	54	890	58
Total Administrative Cost	1,275	34	1,042	19	1,055	18
Salaries & Benefits for Admin.	1,013	42	732	13	752	12
Operations & Maint.	627	16	639	13	610	7
Sal. & Benefits for Operat./Maint.	263	14	280	17	296	14
Food Service	-	-	43	21	39	18
Extracurricular cost	40	26	39	26	40	22
Median Teacher Salary	NA	NA	33,538	6	39,658	27
Median Administrator Salary	NA	NA	56,845	22	49,869	14
Ranked High Ratio to Low						
Student/Administration	NA	NA	92.5:1	48	89.5:1	51
Faculty/Administration	NA	NA	10.2:1	37	9.4:1	47

Administrative Costs

A comparative review of Frenchtown, Hampton, Harmony, Lavallette and Estell Manor of the function 230 account for fiscal years 1994-95 and 1995-96 was conducted (Support Services, General Administration). This function includes expenses associated with the board of education, executive administration and school elections. The review shows the following costs for fiscal year 1995-96 (based on Audit Report as of 6/30/96):

	Frenchtown	Hampton	Harmony	Lavallette	Estell Manor
Salaries	54,369	86,422	89,089	37,800	24,560
Legal Services	3,822	5,183	24,540	3,500	2,453
Other Purch. Prof Serv.	7,270	5,875	5,896	5,525	12,603
Communications/Tel.	7,981	3,940	7,455	6,666	4,670
Other Purchased Service	18,138	11,861	24,034	6,583	6,006
Supplies & Materials	1,430	3,224	10,343	1,756	2,091
Misc. Expenditures	<u>7,210</u>	<u>6,204</u>	<u>15,059</u>	<u>11,501</u>	<u>12,826</u>
Total	100,220	122,709	176,416	73,331	65,209

A comparison of Per Pupil Costs for general administration expenditures (Function 230) for fiscal year 1995-96 for Frenchtown, Hampton, Harmony, Lavallette and Estell Manor school districts reveals the following:

Per Pupil Cost	Frenchtown	Hampton	Harmony	Lavallette	Estell Manor
Salaries	280.25	502.45	282.82	205.43	99.03
Legal Services	19.70	30.13	77.90	19.02	9.89
Other Purch. Prof Serv.	37.47	34.16	18.72	30.03	50.82
Communications/Tel.	41.14	22.91	23.67	36.23	18.83
Other Purchased Service	93.49	68.96	76.30	35.78	24.22
Supplies & Materials	7.37	18.74	32.83	9.54	8.43
Misc. Expenditures	<u>37.16</u>	<u>36.07</u>	<u>47.81</u>	<u>62.51</u>	<u>51.72</u>
Total	516.60	713.42	560.05	398.54	262.94

An analysis of this data reflects that, using the function 230 figures from the 1995-96 audit report, the administrative costs for Frenchtown were \$100,220 as compared with \$122,709 for Hampton, \$176,416 for Harmony, \$73,331 for Lavallette and \$65,209 for Estell Manor. The per pupil administrative costs for Frenchtown were \$517 as compared with \$713 for Hampton, \$560 for Harmony, \$399 for Lavallette and \$263 for Estell Manor school district. This shows that Frenchtown administrative costs were in the median among comparative schools. However, when compared with Lavallette, a school almost identical in size, Frenchtown was 30% higher in per pupil administrative cost. When compared with Estell Manor, a school with 28% higher student enrollment, Frenchtown was almost double in administrative cost. These findings indicate that Frenchtown still has room to reduce cost.

Included within Miscellaneous Expenditures for fiscal year 1995-96 were penalty fees totaling \$393.46 resulting from late report filings and payments to the State.

Recommendation:

1. Based upon the above analysis, the review team recommends that the district continue to monitor communication costs closely and explore ways to reduce costs of its other purchased services in order to achieve further savings.
2. It is recommended that the business office create a calendar of due dates or implement a procedure to ensure that reports and payments are filed on time to avoid late penalties.

Cost Savings: \$393

Legal Fees

A review of the district's expenditures for the two school years 1995-96 and 1996-97 disclosed the following legal fee disbursement:

<u>1995-96</u>	<u>1996-97</u>
\$3,822	\$9,757.81*

(* \$4,825 of this amount was incorrectly reported as Auditor Fees in the general ledger.)

The Frenchtown Board of Education maintains a one year renewable agreement for legal services with its law firm, which has been the district's attorney of record for the past eight years. Fees are paid on a hourly basis; there is no retainer. There is a written agreement which includes a basic description of the services to be provided by the firm, along with the firm's hourly fees, which range from \$95 to \$120 based upon the level of the individual providing the legal services, i.e., Associate, Senior Associate or Partner Attorney. Most of the charges paid during the two year period of the team's review were billed at the \$120 per hour rate and were for employee and vendor contract issues.

For comparative purposes, the following are hourly rates currently paid for legal services by other neighboring school districts:

<u>Alexandria</u>	<u>Holland</u>	<u>Kingwood</u>
\$110	\$95-125	\$95

Frenchtown School District's legal fees appear to be at the high end of the scale for the area.

Excluding \$2,520 paid to another law firm and an arbitrator for legal services related to a specific vendor issue, our findings indicate a 90% increase in the "normal" legal fees paid to the attorney of record from the 1995-96 to the 1996-97 school year period.

However, the Business Administrator informed the team that legal costs for the two preceding years, 1993-94 and 1994-95, were \$6,591.75 and \$7,440.50, respectively. Therefore, on average, the district is paying \$6,273 per year in legal costs.

Recommendations:

1. The review team recommends that more careful attention be paid to entries for legal fees, as well as other expenditures mentioned in the Auditor portion of this report, in accordance with GAAP guidelines.

2. It is the recommendation of the review team that the Board seek competitive proposals for legal services and/or negotiate with its present attorney for a retainer fee arrangement to cover routine legal services. A “not to exceed” amount for the contract is also recommended. The district should ensure that the contract for legal services includes specific detail of services which will be covered by the retainer, namely, those routine matters currently handled by the firm. A careful review of past years’ legal services should provide a basis for this consideration. Through such a proposal process and negotiation, and based upon rates paid by others in the area, the team believes the district could achieve savings of \$1,200 based upon 1996-97 routine legal costs.

Savings - \$1,200

Auditor Contract

The board contracts with an accounting firm to do its annual audit at a cost of \$6,520 (1995-96) and \$6,600 (1996-97). These costs include fees not only for completion of the annual audit, but for preparation of the district’s Comprehensive Annual Financial Report (CAFR) as well. Fees are based upon varying hourly rates depending on which member of the firm does the work, i.e., Principal: \$104, Manager: \$75 -80, Senior: \$60-70, Semi-Senior: \$42-50, Junior: \$37.

The review team found errors and inaccurate account reporting among the district’s general ledger entries which were not identified by the auditor and were carried forward into the CAFR incorrectly. For example, legal fees were incorrectly charged to the Other Purchases Professional Service account; bank interest was incorrectly charged to Tuition Revenue account; and tuition reimbursement was incorrectly charged to Workers Compensation/Health Benefits account. The team urges the Board to ensure that the Annual Audit and Comprehensive Annual Financial Report are performed in a manner consistent with applicable auditing principles.

The following is a comparative review of 1996-97 auditor costs charged to other districts surrounding Frenchtown, including Holland, Kingwood, Alexandria, Milford and Camden. The team included Camden because of its large size and low auditor fees.

	Frenchtown	Holland	Kingwood	Alexandria	Milford	Camden
Audit Fees	\$6,600	\$8,700	\$8,500	\$8,500	\$4,998	\$6,500
Annual Expenditures	\$1.5M	\$5.5M	\$3.5M	\$4.8M	\$1.4M	\$190M

The enrollment at Frenchtown and Milford Schools is similar; however, the auditor fees for Frenchtown were \$6,600 as compared to \$4,998 for Milford. The Frenchtown costs are 30% higher than Milford. Camden, one of the largest districts in the state, paid only \$6,500 in auditor costs.

Recommendations:

- 1. The district should seek requests for proposals (RFP's) from different audit firms in order to promote competition, which should result in lower auditor costs.**
- 2. The district should enter into a more detailed contract with its auditor and include a statement of assurance of accuracy.**
- 3. According to Department of Education guidelines, preparation of the CAFR is the responsibility of the school district. The team recommends that the district do so, and engage an audit firm to simply complete the annual audit. This would reduce the auditors' fees resulting in savings to the district.**

Total Anticipated Savings: \$1,600

Photocopy Management

The Frenchtown School District owns three photocopiers. Two of these are desktop convenience copiers, which incur minimal annual maintenance and service costs. In school year 1996-97, these costs totaled \$380 and \$245 each. The service agreement for each of these copiers includes a maximum number of 3,000 copies per quarter, after which the district is billed an additional \$.01 per copy. One of the copiers did not exceed the limit in either year; the other did, but annual overage charges were very minimal, at \$53 for 1995-96, and \$25 for 1996-97.

The third machine is a production copier located in the school office. The district has a service agreement in place for this whereby they pay a minimum monthly fee which includes limitations on maximum usage, after which additional fees are assessed. The district is significantly exceeding these limitations.

The flat monthly fee covers the first 15,450 copies each month. Each copy thereafter is billed at a rate which changes every July 1. In the 1997-98 school year that rate is \$.0119 per copy. The recent costs for maintenance/service of this copier are as follows:

<u>Year</u>	<u>Monthly Fee</u>	<u>Average Monthly Overage</u>	<u>Average Add'l. Monthly Cost</u>	<u>Total Annual Cost</u>
1995-96	\$255	9,300 copies	\$100	\$4,260
1996-97	\$285	6,500 copies	\$72	\$4,284

The State of New Jersey recently issued a cost per copy contract which reflects much better rates than those which Frenchtown currently pays to meet its photocopying needs. The cost per copy contract, which is in effect through June 1999, is available for use by political subdivisions, including school districts. The purpose of this contract is the procurement of *photocopies*, rather than photocopy equipment. All equipment, parts and supplies, with the exception of paper and staples, are included in the monthly charge. Supplies are not included under Frenchtown School's current service agreements. The review team was able to identify supply costs of \$620 for 1995-96 and \$365 for 1996-97 for Frenchtown's production copier.

The cost per copy contract was awarded to various primary and secondary vendors according to required volume/speed bands. The rates within speed band 5, which would appear to be the appropriate segment for the Frenchtown School District based upon their usage, are \$166.50 per month for the first 18,000 copies; the rate for additional copies is \$.00925. Based upon Frenchtown's 1996-97 figures, the following chart demonstrates the reduced costs which could be realized by the district through use of the State's cost per copy contract:

Monthly Fee	Average Monthly Overage Cost	Total Annual Cost
\$166.50	\$31.91	\$2,380

The cost per copy contract eliminates the need for the district to purchase new copiers. On average, the "life expectancy" of a production copier is five years. A conservative estimated cost to replace the district's production copier is \$13,000.

Recommendations:

1. The LGBR team recommends that the District consider as soon as possible utilizing the state's cost per copy contract to reduce photocopy costs. Based upon 1996-97 usage and cost figures, Frenchtown could save \$2265 by using the State contract for their production copier needs, owing to reduced fees and inclusion of supplies.

Cost Savings: \$2,265

2. In addition, by using this contract the district will be provided with a new machine for an estimated cost avoidance of \$13,000.

Cost Savings: \$13,000

3. Although the achievable savings will not be as significant as with the production copier, the district should also plan to utilize the cost per copy contract to replace its convenience copiers as well.

TOTAL SAVINGS: \$15,265

Banking and Investment

The team reviewed the checking and savings accounts maintained by the Frenchtown Board of Education for the purpose of identifying ways the district can improve its interest income and reduce the costs associated with reconciling and maintaining its banking accounts.

During 1996-97, the district maintained five checking accounts in a local bank. The five checking accounts are: Regular Account, Unemployment Insurance Account, Payroll Agency, Payroll Account and Cafeteria Account. The district was earning minimum average interest income at a rate of 2.57% in the Unemployment Insurance Account and 2.82% in the Regular Account, Payroll Agency, Payroll Account and Cafeteria Account. The interest rates are set by the bank based on market condition.

A review was conducted of the amount of interest earned by the district in its operating accounts. The average monthly balances in 1996-97 ranged from approximately \$117,574 to \$246,436. In this period, the district received \$1,755 in interest income from these accounts, and paid service fees of \$392.

For comparative purposes, the team evaluated interest paid to the district from its local bank against interest that would have been paid by the New Jersey Cash Management Fund (NJCMF), a conservative investment fund utilized by the State. The chart below lists the earning rate of the district's bank accounts and the New Jersey Cash Management Fund for the period from July 1, 1996 to June 30, 1997.

	Unemployment Insurance Account	Combined 4 Accounts	NJ Cash Mgt. Fund
Jul-96	2.61%	2.61%	5.63%
Aug-96	2.61%	2.67%	5.64%
Sep-96	2.56%	2.56%	5.60%
Oct-96	2.62%	2.62%	5.55%
Nov-96	2.61%	2.51%	5.53%
Dec-96	2.53%	3.53%	5.52%
Jan-97	2.41%	2.41%	5.39%
Feb-97	2.54%	2.54%	5.24%
Mar-97	2.50%	2.50%	5.17%
Apr-97	2.60%	3.68%	5.16%
May-97	2.68%	2.60%	5.16%
Jun-97	2.61%	3.61%	5.16%
Average	2.57%	2.82%	5.40%

An analysis of the above table indicates that the interest rate for NJCMF was 2.58% higher than the district's investment. If the district had invested in NJCMF, it would have brought additional interest income of \$7,444 to the district for this period. Aside from the NJCMF, it has been noted that many schools in New Jersey are earning a higher rate of interest and paying lower service fees than Frenchtown. Some schools also have a sweep account with the bank, which is an investment account that collects all the cash balances from different accounts every night and allows the district to earn overnight interest. The service charges between the district's bank and another bank (called Bank X) are compared below:

	<u>Frenchtown Bank</u>		<u>Bank X</u>	
	<i>Service Charge</i>	<i>Balance Req'd.</i>	<i>Service Charge</i>	<i>Balance Req'd.</i>
Account Maintenance	\$20.00	\$9,323.11	\$15.00	\$3,285.00
Checks Paid	\$0.19	\$97.51	\$0.18	\$39.42
Deposits	\$0.50	\$235.48	\$0.40	\$87.60
Multiple Statements	\$5.00	-	N/A	N/A

Frenchtown district is clearly paying higher service charge fees and is also required to maintain a significantly higher balance than required by Bank X.

Most districts invest a portion of balances that are in excess of the positive available balance into Certificates of Deposits (CD's) to secure higher interest rates. Frenchtown maintains two CD's in another bank. One CD is earning a simple interest of 5.6% per annum with a balance of more than \$56,000. The other is earning a compound interest of 5.83% with a balance of \$5,000. Both are 10 month CD's with different maturity dates. The district earned \$1,851 for the year 1996-97 from both CD's.

The team's review also revealed that there is no formal written agreement with the bank regarding either the services the district will receive or how the interest is calculated. In addition, the district does not periodically obtain quotations from other banks to ensure that its current bank remains competitive in the market place. Moreover, the district does

not maintain funds in other banks. Maintaining other bank accounts would help to keep the district informed of new services in the banking community and to maintain relationships with other banks.

Recommendations:

1. The team recommends that the district develop a more aggressive financial management plan. The district should not select a bank based solely on convenience, but rather should periodically obtain written proposals from other banks to ensure it obtains favorable banking rates. If, for instance, the district decided to use a bank with better rates; e.g., Bank X in the above discussion, the following savings could have been achieved:

Additional interest	\$300
Additional investment income	\$7,444
Reduced Service Charge	\$2,985

2. The district should establish a written agreement with its bank outlining the specific services it will receive, the cost per unit of service and how these costs will be paid. The district should receive a monthly customer account analysis as part of this agreement. This should be reviewed regularly to determine if available balances should be adjusted and excess funds invested accordingly. This will result in more efficient management and control of the operating accounts, thus reducing idle funds and maximizing interest earnings.

3. The district should maintain accounts with other banks in order to maintain banking relationships and an awareness of new banking services that may be available.

Revenue Enhancement - \$10,729

Food Service

An extensive review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to the cafeteria to observe the operation, and analysis of various documents. A careful study was done of the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the years ending June 30, 1995 and 1996.

According to CAFR and budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund and not within the general fund of the budget. Any contribution made by the board toward the food service operation is reported as a lump sum contribution transferred to cover any deficits. These costs should not be included elsewhere in the budget. However, if the full

cost of the operation is funded by the board, the expenditures should be categorized and reported in the general fund.

The Frenchtown Board of Education receives state and federal reimbursements and collects fees from students for meals. The district is therefore required to report the entire food service operation in the enterprise fund, which they do. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to a private business enterprise with the intent that the costs of providing goods or services be financed through user charges.

Throughout the State of New Jersey there are approximately 200 school districts that contract food services with management companies. They generally report a tremendous degree of satisfaction with the system. These satisfactions include bringing in revenue from the food service program, or at least breaking even in costs.

Food service has been privatized in the Frenchtown Public School for more than two years. Dowling Food Service Management Inc., a New Jersey owned company, was awarded the contract to provide management services for the food service operation. A flat administrative fee of \$6,800 was paid to the management company for the school year 1995-96. In addition, the vendor charged Frenchtown Board of Education for all other costs incurred such as salaries, benefits, supplies and materials, and cost of sales, etc. The management company hired its own workers under mutual agreement with the school board. Financial statements for food service are provided by the food service management company on a monthly basis. The food service contract may be renewed by the board, for a period of not more than two additional years.

In 1995-96 and 1996-97, the board contributed an additional \$6,800 and \$8,000 (unaudited) to the food service program, respectively.

There are two employees currently working in the cafeteria. They include one manager working 6.5 hours a day at \$10.60 per hour, and one food service worker working 4.5 hours a day at \$6.50 per hour. The manager is entitled to five sick days per year; no other benefits are received.

The table below presents the operating income and expenses for food service in the Frenchtown School District for the past two years, i.e., before and after the privatization.

Food Service - Operating Income & Expenses

	After Privatized 1995-1996	Before Privatized 1994-1995
Operating Revenues:		
School lunch program - reimb.	21,140	15,208
Daily sales non - reimbursable prog.	8,143	7,856
Miscellaneous	<u>699</u>	<u>-</u>
Total operating revenues	29,982	23,064
Non-operating revenues:		
State - School lunch program	1,087	1,240
Federal -		
National school lunch program	8,321	10,196
U.S.D.A. commodities	4,436	4,773
Interfund Payable canceled	<u>4,777</u>	<u>(934)</u>
Total non-operating revenues	18,621	15,275
Total revenue before board contribution	48,603	38,339
Operating expenses:		
Salaries	17,934	19,449
Payroll taxes	2,583	
Other purchased services	8,416	-
Supplies and materials	902	955
Depreciation	430	972
Cost of sales	22,069	25,343
Miscellaneous Expenditures	499	-
Other		
Total operating expenses	52,833	46,719
Net income loss before board contribution	(4,230)	(8,380)
Board contribution	6,800	-
Net income loss after board contribution	2,570	(8,380)
Retained earnings (deficit), beginning of year	<u>(544)</u>	<u>7,836</u>
Retained earnings (deficit), end of year	<u>2,026</u>	<u>(544)</u>

The production kitchen in the school is small. Equipment is old and due to lack of space in the kitchen the refrigerators must be placed in the cafeteria. The storage room for inventory is also very small.

The Frenchtown School currently charges \$1.50 per student lunch, while the state recommended level is \$1.85. Teachers and staff members can purchase their lunch for \$2.25, while the state recommended level is \$2.75. The district provides free peanut butter and jelly sandwiches to students who do not bring in money or lose their lunch

tickets. During lunch time, teachers serve on lunch duty to supervise the students. This is part of their responsibilities.

Analysis of Number and Cost of Meals

	1995-1996	1994-95
Lunch		
Paid	16,760	14,906
Reduced	475	739
Free	3,161	3,705
Total verified lunch	20,396	19,350
Salaries and benefits costs	20,517	19,449
Management fees	6,800	-
Food and other costs	25,516	27,270
Total cost	52,833	46,719
Salaries and benefits costs per meal	1.01	0.95
Management cost per meal	0.33	-
Food and other costs per meal	1.25	1.34
Total costs per meal	2.59	2.29
% of salaries and benefits costs per meal	38.83%	41.63%
% of management cost per meal	12.87%	0.00%
% of food and other costs per meal	48.30%	58.37%
Total	100.00%	100.00%

The above analysis reflects an increase of 13% in the cost per meal after the board privatized its food service. It was also noted that lunch participation increased by 5.4% at that time.

Based upon the team's review of private food service contracts in other districts, the total cost including food, labor and management fees for a typical food service program ranges from \$1 to \$2 per meal, while Frenchtown's costs were \$2.59 for 1995-96 and \$2.29 for 1994-95. There are many factors that impact the actual per meal cost for a food service program, including size of the school and labor efficiencies. The team believes the high per meal cost in Frenchtown is due to the district's high labor and management cost.

Recommendations:

1. The review team recommends that the board rebid its food service program to include a provision of guarantees to the district that the total food service costs shall not exceed gross receipts. The team believes that an average savings of approximately \$12,034 is attainable by competitively contracting the total food service operation in the Frenchtown school, as follows:

Cost per meal for Frenchtown	\$2.59
Maximum cost per meal for the industry	<u>2.00</u>
Net savings per meal	\$0.59

Number of meals served in 1995-96 20,396 @ \$.59 = \$12,034

Cost Savings: \$12,034

2. The team recommends that the district also consider increasing the lunch prices to the state's recommended level of \$1.85 for elementary school students, compared with Frenchtown's \$1.50. The adult lunch price could be increased from \$2.25 to \$2.75, more in line with other school districts, which range from \$2.75 to \$3. Such price increases could bring in additional revenue of \$5,866 per year.

Revenue: \$ 5,866

Total Revenue Enhancements: \$17,900

Speech Program

The Frenchtown School district provides a program for students who need speech correctional services. The district has one part time speech specialist working two days a week for the speech program. For the 1997-98 school year, speech correctional service is provided for 18 students from kindergarten to grade eight. Students are selected to participate in the speech program through tests (such as Preschool Language Test or Test Articulation) or by teacher recommendation. The speech specialist also prepares IEP's and obtains parents' approval before enrolling the student in the program. If the student is qualified, he or she is pulled from regular classes twice a week for 20 to 30 minutes to attend the speech program.

The total expenditure for the speech program in school year 1995-96 was \$10,912 and \$10,382 for school year 1994-95. Most of the expenditure was for salary costs.

The district suggested that there could be some savings if the Hunterdon County Educational Services Commission purchased and provided the local districts with the test samples. The tests are expensive and only benefit one or two students in a small district. The cost of the test samples could be shared among other districts, resulting in savings for all.

Recommendation:

The review team supports the concept proposed by the district to share test samples and associated costs with the Hunterdon County Educational Services Commission or with a consortium of districts.

Facilities

The Frenchtown School District comprises one two-story building, the Edith Ort Thomas Elementary School. The school was built in 1926 and covers approximately 36,000 square feet. The building appears to be clean and well-maintained. At the time of our review, new exterior doors were being installed to comply with safety code requirements.

Although the school and classrooms do not appear to be overcrowded in terms of numbers of students, it was observed that there is a lack of space for the auxiliary programs; e.g., the library/media center, the nurse's office, and the kitchen. These areas are cramped, so much so that the equipment of both the library/media center and the kitchen cannot be contained within these rooms. The nurse's office is not an adequate space with only one cot and no toilet facilities.

In Section I of this report, the review team commended the district for formation of a committee of community, parent and administrative representatives to evaluate its space needs and to develop options to meet these needs. The committee engaged the services of an architectural firm which prepared an evaluation and proposal for expansion of the school for its review. While we will not reiterate all of the information contained in the architect's report here, our general impressions are in line with their findings. Since the committee's report is to be issued subsequent to this review, we cannot comment on its recommendations.

The team was able to obtain and review the last two Five Year Facility Master Plans, prepared in May 1990 and April 1995, as well as a report entitled Educational Evaluation & Expansion Proposals, submitted by an architectural firm on March 7, 1997. The 1995 facility master plan stated that the district had no building needs for the next five years. This is puzzling, considering the areas both cited in prior and subsequent reports and observed by the team as needing correction or improvement. The two Five Year Plans were prepared by the same firm, but the first report was much more extensive and comprehensive than the second report. The team was unable to determine the cost for the reports.

Recommendation:

- 1. The LGBR team supports actions to provide the needed additional space, whether through reallocation or expansion of the existing structure, redistricting or sharing services with other districts, or other means.**
- 2. The team recommends that the district ensure that the Five Year Facility Master Plans include the status of prior reports' identified needed improvements.**

Purchasing

The purchasing system in Frenchtown handles about 650 purchase orders per year. The system is a manual one.

The Frenchtown School District has experienced that items can be purchased at lower prices when purchased in larger quantities. It achieves such savings through extensive involvement with cooperative purchasing efforts provided by the Hunterdon County Educational Services Commission (HCESC). Currently there are 47 school districts in Hunterdon, Warren and Mercer Counties participating in this cooperative purchasing effort. Cooperative purchasing helps to ensure that the district obtains the lowest prices for its purchases. Items under consideration for cooperative purchasing include office supplies, transportation service, books, and fuel. Every year the HCESC develops specifications for bidding and awards contracts to the lowest bidders. HCESC is charging the district a 6% administrative fee on net orders purchased through the cooperative service. For the school year 1996-97, the district paid an estimated \$500 in administrative fees. The district can also purchase goods directly from other vendors and save the 6% administrative fee, but lower prices are not guaranteed.

The review team noted that the district does not have a purchasing manual. Purchasing is initiated and controlled by the business office. Steps in the purchasing process are:

1. An informal requisition is initiated by the individual. This is approved by the principal and forwarded to the business office as a purchase order (PO).
2. The Business Administrator verifies the account number and the sufficiency of funds.
3. The Business Administrator signs the PO.
4. The business office encumbers the funds, sends the PO to the vendor, and forwards copies to the individual making the request. A copy of the PO is used later by the requestor to verify delivery. A receiving signature indicates order completion.
5. The business office attempts to match the receiver's copy, the invoice, and the original PO. If there is a match, the business office prepares a check, which is signed by the Business Administrator, Board President, and Treasurer and prepared for approval at the next board meeting.
6. The PO, with all above attachments, goes into permanent storage. The board has developed purchasing policies covering the signing of purchase orders. However, the board has not established clear and concise written procedures as outlined above.

Having written procedures would ensure compliance with purchasing requirements and result in efficiency.

According to the Business Administrator, state contracts are often used for equipment purchases which exceed the quote limit.

The review team noted that the district did not take advantage of early payment discounts.

Recommendations:

- 1. The team applauds the district's cooperative purchasing efforts and recommends that, if possible, it expand its effort to save taxpayers' dollars through cooperative purchasing. It is further recommended that the business office spot check the Cooperative's bid quotes against state contract figures, local vendors, or other sources to ensure the district is obtaining the best possible prices.**
- 2. The board should establish clear and concise written procedures for the purchasing function.**
- 3. The team recommends that the district take advantage of early payment purchase discounts to achieve additional savings while complying with N.J.S.A. 18A:19-a et seq.**
- 4. To save time and cost, it is recommended that the purchase order system be automated to cover the entire purchasing process.**

Guidance

The guidance and counseling program is an integral part of a school district's educational program. The program provides students, parents, community and staff members with services which help to promote self understanding and emerging personal relationships through addressing and resolving problems, and enables students to identify and pursue individual goals and aspirations.

The Frenchtown School District provides guidance counseling services at all grade levels. Counseling services are requested by parents, and teachers or are made necessary owing to a school-wide crisis. The program in the Frenchtown School District deals with grief, divorce and separation, sibling problems, behavior modification, drugs and alcohol. During the 1995-96 school year, the district provided counseling services for an average of 25 individuals and nine groups each month.

Currently, the district has one part time counselor. She works three days a week, not only as a guidance counselor, but also as head of the child study team and as the school's social worker. Her three job descriptions entail heavy responsibilities. Although entitled to full health benefits, she has chosen to waive her coverage.

The school district is small, and does not require a full time position to perform the above functions.

Finding:

The team supports the district's practice of hiring one individual with multiple certifications to provide various services to the student population.

Job Descriptions

The team reviewed available job descriptions for titles used within the Frenchtown School District. All of these descriptions are quite old (1979-1985) and appear outdated and vague. For some titles, i.e., Child Study Team Secretary, no job descriptions apparently exist. Qualifications for many positions, especially those developed in 1979, state: "As set by state certification authority." Terms of employment typically state: "As determined by the Board." These should be made more specific. At the other extreme is the school secretary's specification which references almost every piece of paper she might ever have to photocopy!

Job specifications should be accurate, clear, concise, and current. If they are not clear, problems with expectations of both the employer and employee can arise. For example, at the time of our review an employee complained about his uncertainty concerning what was expected of him in his position. He felt he was sometimes asked to go beyond what he understands to be the scope of his responsibilities, which he was unwilling to do because he was not paid to do so. Apparently this has been an ongoing issue. In cases such as this, a lot of administrative time is wasted, both on the part of the Board, to whom the issue has been raised, as well as that of the CSA. It could prove to be costly in terms of legal fees as well. Combined with the fact that a disgruntled employee is often an unproductive worker, it is in everyone's interest to clarify requirements and responsibilities of positions. The development of appropriate job descriptions is a good starting point towards accomplishing this.

Recommendation:

The review team recommends that job descriptions be developed, updated and revised to reflect clearly the responsibilities and requirements of all positions.

Health Services

The Frenchtown School District has one full-time nurse to serve approximately 190 students. The nurse's duties include handling medical emergencies, distributing medications prescribed to students, assisting physicians with physical examinations, maintaining health records on students, and occasional classroom instruction. The board has hired a local family health center to provide health services, such as physical examinations for the third and sixth graders, for a couple of hours per month. The doctor also provides physical exams for special education students every two months.

The expenditure for health services, most of which was for salaries, was \$46,971 and \$46,872 for 1995-96 and 1994-95, respectively. This represents an increase of only \$99

between these periods. It appears that the school maintains a tight budget in this area, and monitors its expenses closely.

For the school year 1997-98, the district intended to have the nurse take on an additional responsibility for teaching nine periods per week during the health teacher's leave of absence. However, this did not occur, and the district has hired a part time health instructor to teach the nine periods per week, at the rate of \$61 per day.

The nurse's office, a former book storage closet, is a space that has been cited in district facility studies as completely inadequate for its prescribed use. There is no toilet in the room or private space for testing or examination. The room is not accessible by the physically handicapped.

Recommendation:

1. The team supports the district's proposal requiring the nurse to assume responsibility for teaching several classes a week in the health teacher's absence. Her job description includes provision for occasional classroom instruction.

Cost Savings: \$2,196

2. The team recommends that provision be made as soon as possible for a larger, and more appropriate space for the nurse's office.

Basic Skills Instruction (BSI)

In the 1995-96 school year, the district had 36 students receiving basic skills instruction (BSI) from grades 1 through 8. The district had one full time teacher in the BSI program. Approximately \$48,457 was spent by the district for BSI for school year 1995-96, including \$35,490 from local sources and \$12,967 from federal funding. This equates to about \$1,346 per student in the basic skills instruction program.

The district integrates the basic skills students into its regular classes. Students are selected to participate in BSI either through test scores or a teacher's recommendation. Tests used include a teacher assessment checklist and the CAT scores. Each year the program changes based upon the needs of the children.

Finding:

The district's costs for Basic Skills Instruction are within the State's average range for these costs.

Employee Contracts/Negotiated Agreements

The certified personnel of the Frenchtown Elementary School are represented by the Frenchtown Education Association. The employees covered under the agreement between the Association and the Frenchtown Board of Education include the teachers, school nurse, librarian/media specialist, and speech therapist. There are no other collective bargaining agreements for other personnel; each negotiates his or her own individual contract. The so-called “salaried support staff” are defined as: School Secretary, Physical Plant Manager, School Board Secretary and School Business Administrator. Benefits and leaves for these staff members are, for the most part, the same as those contained in the above-referenced agreement, and are governed by the Board Policy, “Compensation and Related Benefits - Standard Benefits: Salaried Staff”. Several differences between the two policies are indicated below.

It was noted that in two instances, personnel were employed under two separate contracts. Each of the individuals was first employed under a primary contract and subsequently assumed additional duties for which they were compensated via a separate employment contract. In one case, an employee receives an additional 18% for the extra duties on which she spends 40% of her time.

The Association contract, which has a duration of three years from the 1995-96 through the 1997-98 school years, covers the following: work schedule; salaries; leaves; professional development; and insurance benefits. Specific work hours are delineated in the contract. The salary schedule is also included, and is based upon level of completed education and number of years experience. The median faculty salary for the 1995 - 96 school year was \$33,028, as compared to the State average of \$42,596. This difference can in part be explained because the average number of years of experience among Frenchtown’s teachers is nine, as compared to the State’s average of 14.

Extra-curricular stipends are paid to teachers as per a schedule contained within the agreement for such duties as basketball coach, overnight trips, etc. Lunch duty for which there is no extra pay, is required of all teachers.

The contracted leave time allowances are as follows: full time teachers are entitled to ten days’ sick leave (the state standard); two personal days; two professional days; one day to attend county or state affiliated organizational conferences; and up to five days for death in the immediate family. These amounts are prorated for part-time employees.

Recommendation:

The review team recommends that each employee have only one employment contract that reflects all job duties. Use of more than one contract can give the impression of “double-dipping”, and implies more hours worked than a normal full-time workweek.

Terminal Leave

The Teachers' agreement includes a policy on terminal leave. Upon retirement from the district after 20 years' service, a teacher is eligible for payment of 1/3 of his/her unused sick leave at the per diem rate, for a maximum of 50 days. LGBR generally recommends a cap of \$15,000 for these payments, in accordance with the State's policy on unused sick leave. For the maximum 50 days at the very top of the Frenchtown School salary schedule, \$53,694 (MA+30 credits) for school year 1996-97, a teacher could have received a maximum payment of \$14,590.50. However, for school year 1997-98, when the maximum potential salary increases to \$55,581, the potential terminal leave payment would exceed the \$15,000 maximum figure at \$15,134.

In addition, as mentioned above, Frenchtown sometimes enters into multiple contracts with its employees, which can bring an employee's salary over the schedule maximum. In one instance, an employee's terminal leave payment was increased. Additionally, the employee in question calculated his own terminal leave payment, and the team was directed to contact him for an explanation of the salary.

Terminal leave payment is not paid to the support staff.

Recommendations:

1. The review team recommends that in future contracts, a cap of \$15,000 be included in this language. If this cap had been in place, approximately \$1,300 could have been saved in the 1996-97 school year. The team also questions the appropriateness of including extra pay in the calculation of the terminal leave payment. In this case it was termed a stipend and as such should not be considered a component of the per diem rate. If this extra pay had not been included in the calculation, an additional \$410 would have been saved for a total savings of \$1,710.

Cost Savings: \$1,710

2. The business office should assume responsibility for functions which rightly belong in that office; e.g., calculating terminal leave payments.

Staff Development

The district encourages continued professional development among its teachers through various tuition reimbursements and requirements for outside course work. In addition to completion of one mandatory three credit course every three years, teachers are eligible for reimbursement of up to \$1,250 per fiscal year (prorated for part-timers) for additional "Board approved professional course work". LGBR supports the continued education of teachers because it benefits their students. The inclusion of a specific dollar limit is also appropriate. However, the teachers' contract does not require the employees to reimburse the board in the event they leave the district soon after receipt of the tuition reimbursement.

There is no regular provision for tuition reimbursement for the support staff; however, on a case by case basis, the board may approve such payments.

It should be noted that our review of the two school years, 1995-96 and 1996-97, revealed that tuition course reimbursements were incorrectly charged to the Workers' Compensation/Health Benefits accounts. When the team first addressed this topic, it appeared that there were no course reimbursement expenditures for either year. The team subsequently found the tuition reimbursements when reviewing other ledger entries.

Recommendations:

- 1. The review team recommends that future employee negotiated agreements include a provision requiring the employee to reimburse the district for tuition reimbursements should the employee leave the district's employ prior to some prescribed period of time; e.g., one year, as the State requires of its employees. This provision will help to ensure that the district's students reap the benefits of this expenditure.**
- 2. As noted elsewhere in the report, the team recommends that care be exercised in ensuring that expenditures are charged to proper accounts.**

Health Insurance

The Frenchtown School District utilizes the State Health Benefits Plan. The board pays the full premium of health insurance coverage for every eligible teacher. If an employee elects to have dependent coverage as well, the Board covers 78% of that cost and the employee, the remaining 22%. In addition to medical benefits, dental and prescription plans are offered. For the prescription plan, the Board pays 65% of the premium and the employee, 35%. In order to qualify for medical and prescription benefits, employees must work at least 20 hours per week; for dental, only seven hours per week. The same benefits are offered to the support staff. It was noted that two employees eligible for health benefits waived coverage, but documentation indicating such was provided for only one.

There are two types of dental coverage offered by the Frenchtown School District to its employees, both through Delta Dental: the Preferred Plan which is offered free of charge to the employees and their dependents; and the Premier Plan, for which the employee must pay the difference between the Preferred and Premier rates. The current cost to the Frenchtown School District for dental coverage is \$5,876.

Recommendations:

- 1. New rules adopted by the State Health Benefits Commission on September 21, 1995, which became effective October 16, 1995 now permit school districts to set a higher workweek standard before an employee is considered "full time" and eligible for benefits. Currently state employees must work a minimum 35 hours a week to qualify for free benefits. It is recommended that the district set a higher full-time**

workweek standard. While only one part time employee currently takes advantage of her eligibility for benefits, the potential exists for several others. If the workweek requirement were increased and benefits were not provided to the one participating part time employee, the district could save approximately \$2360.

Cost Savings: \$2,360

2. The State's DPO dental plan requires the employees to share the cost of the premiums equally with the employer. If Frenchtown required the same of its employees, based upon current enrollment numbers, it could reduce its costs by \$2,938 annually. It is the recommendation of the review team that a requirement that employees equally share the cost of *all* dental premiums be included in the next contract negotiations. Should the district continue to offer dental coverage to employees working less than 20 hours per week, the employees should be required to pay the full cost of the dental premium.

Cost Savings: \$2,938

3. The team recommends that the district retain a letter from employees who desire to waive their health benefits.

TOTAL SAVINGS: \$5,298

Administrative Contract

In the 1995-96 school year, the Frenchtown Board of Education sought to fill the vacant position of Chief School Administrator (CSA). The candidate whom they selected for this position did not possess the required CSA State School Administrator certification, but it was believed that she could become certified simply by passing the National Teachers' Administration and Supervision Examination. In May 1996, the district hired this individual and subsequently learned that the certification process in fact required her to complete additional graduate-level course work. The district and she entered into an employment agreement which stated that she would serve as School Principal on a temporary basis until she obtained proper certification to hold the position of Chief School Administrator. A deadline was set prior to which the Principal was to obtain the certification, but an extension clause was available at the Board's discretion. A new employee contract was negotiated for the 1997-98 school year, including the same provision for the Principal's obtaining the CSA certification, again with an extended time-frame. At the time of this report, the final deadline was set at January 1, 1999. Because the Principal is not certified as a CSA, required CSA functions were arranged first via a certified staff member, and more recently through the county's Educational Services Commission, at an additional cost of \$3,000 per year to the district.

As reported earlier high turnover in administrative positions in the Frenchtown District has had an impact on staff and students, and the need for stability and continuity cannot be stressed enough. While the problems the Frenchtown Board of Education encountered in hiring an uncertified Chief School Administrator may be attributed to poor communication

between themselves and the Department of Education, it was ultimately the responsibility of the board, with the assistance of its solicitor, to ensure that the person hired was properly certified. The Frenchtown Board of Education needs to be more diligent in meeting its statutory responsibilities.

Aside from this rather unique contract provision, the review team also considered the other terms agreed upon in both contracts between the district and the employee. Many of the articles are similar to those of the Frenchtown Education Association's previously referenced contract. A few notable differences are as follows:

1. Waiver of insurance coverage – The CSA has waived her insurance coverage, and instead is paid a monthly amount equaling 50% of the Board's portion of the premium for the traditional plan for husband/wife. This currently totals \$213.26 per month, or \$2558.76 per year.
2. Tuition Reimbursement – The second contract reflects the need for the individual to complete course work for the required Master's degree; specific dollar limits are included, as well as stipulation that the employee would be required to reimburse the Board for the tuition payments should she resign from the position of Chief School Administrator within two years of certification. LGBR supports such restrictions on tuition reimbursement. The earlier contract includes a limitation on the number of reimbursable credits, but not on cost; nor does it include the stipulation to remain in the district's employ for a certain period of time.
3. Medical Examination – This item was included in the earlier, or first contract. The CSA is to undergo a physical examination every year, by a physician of her choosing, with costs not covered by the medical coverage to be borne by the Board up to \$450. NJSA 18A:16-2 and 3 require an examination (although not yearly) based upon her conditional status in the CSA position. However, if the employee chooses the physician, she is required to pay the charges not covered by the insurance, rather than the Board.

Recommendations:

1. While the review team recognizes that payment to employees for waiver of health benefits is an accepted practice, it is recommended that the amount of such payment be reduced by half to 25%.

Cost Savings: \$1,279

2. The team commends the district for the tuition reimbursement stipulations included in the 1997-98 contract and recommends that all employee contracts contain both dollar limitations, preferably in line with the State's policy of basing these rates on the cost of a course at Rutgers University, and a requirement for reimbursement of these payments to the Board if the employee resigns prior to a prescribed period of time.
3. The team recommends that the medical examination clause of the CSA's contract be revised to comply with the law, i.e., to require the employee to pay any costs not

covered by medical insurance if the physical examination is completed by a physician of her choosing.

Potential Savings: \$450

4. It is recommended that the matter of the CSA's contract be resolved in accordance with State School Administrator certification requirements as outlined in Title 18A and DE regulations and policy.

5. In the future, when it becomes necessary to employ a new CSA, consideration should be given to sharing this responsibility with another district, as permitted by N.J.S.A. 18A:17-24-1.

TOTAL SAVINGS: \$1729

Absenteeism

The review team examined sick leave usage by staff for the two school years 1995-96 and 1996-97. There were several instances of excessive sick leave usage (12 days or more) during each of these periods. The district has no policy requiring medical documentation from the employees, either for intermittent or extended periods of absence. Employee absences are costly because salaries must be paid to both the regular teacher and the substitute teacher, the latter of whom is paid \$61 per day. In the 1996-97 school year, \$7,099 was paid to substitute teachers, representing a total of approximately 116 days of teacher absences for the district's 17 teachers.

The Teachers' agreement also includes a "benefit" of a \$500 US savings bond payable to teachers who use no sick or personal time during the school year.

Recommendations:

1. In an effort to reduce sick leave usage, it is the recommendation of the team that a policy be developed to require medical documentation following some set number of absences, or where there is reason to suspect abuse; e.g., patterns of taking off on Fridays or Mondays. It has been demonstrated that such a policy, coupled with diligent monitoring of sick leave usage, can result in a significant reduction of sick leave usage. A conservative estimate of 10% in the Frenchtown District would yield a savings of \$709.

Cost Savings: \$709

2. The review team recommends that the provision of a \$500 savings bond for use of no sick or personal leave time be removed from future negotiated contracts. As mentioned above, teachers who retire from the district are already rewarded for saving their sick days through terminal leave payment. While it is commendable to implement incentives to discourage use of sick time, and although no such awards were apparently made during the two school year periods the team reviewed, this is not a practice supported by Local Government Budget Review. We believe it

rewards employees for not abusing a benefit that should not be abused in the first place.

Library/Media Center

The Frenchtown School's library/media center is located on the second floor of the building. It occupies 700 square feet of space and has a maximum capacity of 25 individuals.

The mission of the library is to support the classroom curricula and to educate the children in the use of as many ways to retrieve and present information as possible, including the Internet (via both the library's and computer lab's computers), videos, CD's, and books.

On average, the library collection is 20 years old. It is weeded annually to ensure the quality and appropriateness of materials on hand, given the limited space available. Additions to the collection are based upon teachers' stated support needs. For example, the librarian explained that there is a current demand for information about world countries so she has attempted to obtain as much current information as possible on this subject matter.

The local municipal library is generally not used as a resource owing to a lack of appropriate materials. The Frenchtown School Library has on-line access to the Hunterdon County Library and children use this as a reference source. They must, however, go to the county library in Flemington on their own to pick up the materials.

One librarian/media specialist tries to do the most with the funding she receives through the budget process, which for school year 1997-98 totals about \$8,000. The library also receives funds generated from the annual book fair (around \$900), along with some donations (\$125 recently). Several cost and time efficient sources are used to purchase books. For example, the school is able to purchase books very inexpensively through one company because the books are three years old. They still, however, meet the school's needs. Another company provides books that are bar-coded and shelf-ready, saving the librarian's time and effort.

The books are circulated by computer scanner. The school does not charge students for overdue books, but the children must pay to replace lost books.

Classes on library instruction are regularly scheduled. The library is open until 3:50 for after-school use. Students in grades 5 through 8 can use the library with permission at other times throughout the school day; often they work between the library and the computer lab on papers and other projects.

The obvious recommendation in this area relates to space constraints. The library/media center facility is very small and cramped. According to the Educational Evaluation and Expansion Proposal Report prepared by Frenchtown School's architect, dated March 7, 1997, the NJ Department of Education's minimum area requirement is 1,700 square feet, as compared with this facility's 700 square feet. The tables in the room allow little space

for maneuvering when children are present. There is also insufficient storage capacity for all the media equipment, so it is often stored in classrooms instead.

Based upon interviews and review of several available facilities reports, we believe this area is to be included in the Space Utilization Committee's upcoming report.

Recommendations:

- 1. As a service to the students, the LGBR team recommends that the district consider requesting the delivery of needed materials from the Hunterdon County Library to the school, an arrangement that is currently utilized by other districts in the state**
- 2. The review team supports the district's efforts to expand the library/media center facility.**

Custodial/Maintenance Services

The Frenchtown School District employs two full time custodians, one for the day shift and one for evenings; both employees possess Black Seal licenses. The day shift custodian is paid \$27,000 per year and the evening, \$23,000. When required, a substitute custodian is brought in at the rate of \$10 per hour. In addition to normal custodial duties, minor maintenance requirements are performed. Most of the cleaning is done on the evening shift. The day position is responsible for cleaning some common areas as well as maintaining the furnace and grounds and performing minor repairs. Overtime is very minimal, usually occurring near the opening of school in September for certain specific tasks; e.g., painting. Licensed contractors are used for required electrical and plumbing work. The school appears clean and well-maintained.

In the past, the district employed a full-time plant manager at a higher salary and two part-time custodians. The CSA now serves as the plant manager to whom both custodians report. This organizational change has apparently proven effective in the Frenchtown School. It was reported to the team that as a result of eliminating the middle manager and hiring full time rather than part time workers who report directly to the Principal, the custodial/maintenance services to the school have improved greatly.

The cost of custodial/maintenance services in 1996-97 were as follows:

Salaries	\$53,007
Benefits (approx. 25%)	\$13,622
Supplies	\$10,119
 Total Cost	 \$76,748

The district's property covers 35,992 square feet, and the cost of custodial/maintenance services per square foot is calculated to be \$2.36. The market rate for custodial services according to the American School and University standard is \$2.11 per square foot. The market rate for maintenance services in this area is \$0.44 per square foot. The total market rate for both services is, therefore, \$2.55 per square foot.

Finding

Based upon the calculations and observations of the review team, the district appears to be doing well with its present custodial/maintenance service arrangement.

Telephones

The review team analyzed all telephone invoices 1995-96 and 1996-97. A comparison of Frenchtown School's telephone expenses against schools of similar size and demographics revealed Frenchtown's expenses to be the highest for the 1995-96 period. Per pupil costs in this area were \$41.14 as compared with the next highest of \$36.23, and the lowest of \$18.83.

Fortunately, overall telephone expenses dropped significantly from the 1995-96 to the 1996-97 school year (from \$7,981.14 to \$6,364.24), bringing them more in line with comparative districts. According to our review, this reflects a sharp decrease in long distance usage, which can be due to a multitude of factors including a decline in personal usage. As explained to the team, the school's reimbursement procedures for personal phone usage outside listed local exchanges require the employees to complete and turn in to the Business Administrator a slip of paper with their name, the date and the number called. When the phone bill is received, the Business Administrator matches up these slips against the bill and collects the charges from the employee. At the time of our review, it was reported that the Business Administrator was completing this reconciliation at home.

Recommendation:

The review team suggests that the district consider implementing a less labor-intensive, more automated and efficient system for recouping costs of personal phone usage; e.g., implementing use of individual PIN's for telephone usage, both to simplify reimbursement procedures and to increase employees' accountability for personal phone usage. Inclusion of such a system can be negotiated with the telephone service providers.

Cellular Phone

The team's analysis of the 1995-96 school year expenses revealed excessive cellular phone charges for this period (\$696.76) as compared to the subsequent year, when basically only monthly service charges of \$16.34 were incurred, for an overall yearly savings of \$512.59.

The team was informed that the cellular phone was used by a former Chief School Administrator during 1995-96. In school year 1996-97, the school incurred virtually no usage fees for the cellular phone, which is reportedly now only taken on class field trips for emergency use. It is otherwise stored in the BA's office.

As this report includes an analysis of the two school years, the team would be remiss not to mention the noted substantial costs of cellular phone usage in the prior period. Although the Board and the school administration apparently recognized that cell phone usage is a costly and often unjustified expense, hence discontinuing its use for non-emergency purposes, this discussion is included for the record and for future reference.

Recommendation:

The LGBR team commends the Board and district administration for actions taken to control and manage the use of the cellular phone, and suggests that they continue to monitor its usage or discontinue having it at all.

Computer Technology

Our review of computer technology focused on two applications: classroom instruction and business use.

Classroom Applications

The school has a computer lab which includes approximately 22 work stations. Most of the computers are five year old MAC's, four of which have CD's; the lab also contains five printers. As new computers are purchased for the lab, the old equipment is recycled first to the classrooms, and then to the staff. There is one computer instructor, who also serves as the technology coordinator for the school. Instruction is provided to all children, grades K-8, and includes keyboarding, word processing, d-base, and spreadsheets. In addition to the computer labs, computers are also stationed in the 6th, 7th and 8th grade classrooms as well as in the library and Special Ed. classrooms. Staff has access to the Technology Coordinator on a regular basis for assistance and collaboration on integrating technology into classroom curricula. There is a portable PC available for the teachers for lesson preparation purposes.

The review team attended a board meeting at which the computer instructor conducted a presentation of the district's proposed Five Year Technology Plan. According to the instructor, the district needs to upgrade the computers, obtain additional Internet access, and provide training for the teachers. The proposed plan calls for updating one-third of

the equipment each year, in part by replacing the old Macintosh computers with IBM compatible PC's. According to the instructor, not only are these computers more affordable, but this platform is also more compatible with the computers the students will use at Delaware Valley Regional High School. While one or two Board members expressed some initial resistance to expending funds on technology, the instructor pointed out that the state provides \$40 per child for technology. In addition, the instructor proposed exploring such alternative funding sources as leasing, grant writing, business and college partnerships, and collaboration with other school districts.

Currently Frenchtown, in conjunction with the surrounding districts including Delaware Valley High School, is working on an interactive distance learning program. At the time of this review, Frenchtown School was waiting for cable hook-up, which will enable Frenchtown and the other districts to avail themselves of educational programs they do not or cannot presently offer to their students; e.g., foreign languages and algebra, the latter for which they currently transport students to the high school for instruction, resulting in reduced classroom instruction time and increased bussing costs. This interactive program will permit increased instructional time for these students and eliminate time spent in transport.

Finding

While the Frenchtown School District resoundingly wants to retain a small, hometown atmosphere for its students, it is important to provide students with the skills, including facility with computers, which they will need to succeed in their further educational and career endeavors.

Office Applications

There is very little automation in the school offices. Most of the data is manually recorded and maintained. Even though the Business Administrator has a stand alone PC, personnel information which she maintains including start dates, salary, education level, and benefit information is recorded on index cards. Staff attendance is manually recorded by the School Secretary in a loose-leaf binder. Such practices make any data compilation, review and analysis very difficult, labor intensive, and subject to error. Frenchtown is a small district with approximately 30 employees; the numbers might appear to be manually manageable, but there is no surplus staff available to complete such tasks. The Business Administrator has no support staff and has many responsibilities. The School Secretary, who also serves as the Child Study Team Secretary, also has many record keeping responsibilities. Frenchtown should avail itself of modern technology. Since both the Business Administrator and Secretary have computers; they should obtain the software and training they need to do their jobs more efficiently. The district has in its employ a knowledgeable Technology Coordinator who can assist in procuring and setting up the programs as well as training the staff to use them: she should be called upon to do so.

Recommendations:

1. The LGBR review team supports the above technology proposals and encourages the district to proceed with these initiatives. Further, the team supports keeping the students in-house to reduce lost instruction time as well as costs for bussing them. A reduction in transportation costs of \$1,701 would result.

Cost Savings: \$1,701

2. It is also recommended that the school district automate its business/school office operations, to better utilize the office support staff. The result would be more efficient and thus, cost effective.

3. It is recommended that the district pursue the vast array of technology resources available (e.g., Technology Literacy challenge Fund grants, discounts under Bell Atlantic Access NJ and federal Universal Service Fund) by utilizing the expertise of Tech Corps NJ and the Hunterdon County Educational Technology Training Center (at Hunterdon Central Regional High School).

Insurance

The Frenchtown School District maintains its insurance coverage through the School Alliance Insurance Fund (SAIF), a School District Joint Self Insurance Fund formed under the provisions of NJSA 18A:18B-1 et seq., which commenced operations on July 1, 1996 with 52 member Boards of Education. Membership is open to all qualified NJ School Boards as determined by the Fund's Board of Trustees. The Boards apply for membership by resolution of their respective Boards of Education. Initial and subsequent membership is for a three year period.

The purpose of the Fund is to permit the Boards of Education to make more efficient use of their powers and resources by cooperating on a basis that will be of mutual advantage. The Fund also provides a procedure for the development, administration, and provision of Risk Management Programs, a joint Self-Insurance fund, Joint Insurance Purchases and related services for members and their employees.

By May 15 of each year, the Actuary computes the probable net cost for the upcoming Fund year by line of coverage. The annual assessment of each member school district shall be its pro rata share of the probable net cost for the upcoming year for each line of coverage as computed. The calculation of pro rata shares for each school district shall be based on the overall Fund year budget. Pro rata shares may be modified by the Trustees to reflect the Loss History or other pertinent data of individual districts.

The Frenchtown School District has a Safety Committee in place. At the Board meeting which the team attended, it was reported that a safety checklist was prepared and completed, and everything is satisfactory.

Frenchtown utilizes a joint insurance fund for its workers' compensation insurance which utilizes an excess coverage policy endorsement to provide coverage after \$100,000. Since no information was available regarding how claims are handled either from a medical

standpoint or a legal standpoint, a discussion as to the effectiveness of claims-handling procedures is impracticable.

The review team offers some general suggestions to keep workers' compensation costs at a minimum. These are:

1. Use a medical provider gateway. Everyone who files a claim should be seen by a Fund-appointed medical practitioner. Monitor the medical practitioners' records to determine how quickly and effectively employees are returned to work.
2. Use a legal network to keep costs of litigation under control.
3. Institute proper safety practices and utilization of safety training for employees.
4. Report claims to the fund's claims administrator in a timely fashion. The faster a claim is filed the earlier the claim can be handled.
5. Support an active district safety committee and develop a safety policy manual, which Frenchtown was attending during the audit, as indicated above.

The other coverages that are handled by the JIF are covered by insurance policies. This is becoming more popular with insurance funds owing to the nature of pricing found in the property and casualty market. Some questions arose as to the determination of deductibles because they appeared to be low compared to other districts. This was a fund choice and needs to be addressed at the fund level. It is also possible to save money in the property and casualty market by insuring for a multiple year period whereby the insurance company is locked in, but the fund has the option of extending coverage with the insurer. Other joint funds have implemented this approach to save approximately 5-10% per year in coverage costs.

Recommendation:

The district is commended for participating in a joint insurance arrangement to save money. As with other professional services, however, it is recommended that the district keep its avenues open and solicit bids from other JIF's and insurance services to ensure it obtains the best market rates.

Transportation

The Frenchtown Board of Education operates only one school for an area of approximately 1.1 square miles. Because the town is small, the district has no regular in-district transportation and therefore no courtesy busing. Most of the students walk to school or are driven by their parents. According to the 1995-96 CAFR, the district spent \$36,004 for transportation, mainly for out-of-district special education. The district also provides transportation for students attending special programs and for some trips for extracurricular activities and athletics. For the year 1995-96, the district paid \$2,700 for aid-in-lieu of transportation, \$3,492 for athletics, \$2,195 for extracurricular activities and \$27,617 for special education transportation.

There is a cooperative effort in Hunterdon County for transportation services that is utilized by every district including Frenchtown. A joint bus pool is less costly than each

district making provision for its own transportation needs. By utilizing the bus pool provided by the Hunterdon County Educational Services Commission for all of its transportation service needs, the district has achieved savings.

Finding: The team commends the district for participating in this shared service, and encourages them to continue to take advantage of this program.

Special Education

According to the Frenchtown School District's Application for State School Aid (ASSA), in 1995-96 the district's special education (SE) program had 46 classified students as of October 15, 1996, including 19 who were classified for speech only. Excluding speech, of the remaining 27 students, 22 were educated within the district: five within a self-contained class, one of whom is from another district; and 17 in resource rooms. The five other SE students were sent out of the district to either public or private educational centers. Students are sent out-of-district usually owing to the extent or nature of the disability and/or placement by court adjudication.

A two year distribution of Frenchtown's special education students as reflected in the ASSA reports is as follows:

Full-Time Special Education Students

	1994-95	1995-96
In-district	5	4
Sent out of district to public schools	4	4
Sent to private schools	1	1
Total out-of-district	5	5
Received full-time	0	1
Resource Room	18	17
Speech 1992-93	26	
Speech 1993-94		19
Speech 1994-95		
Total Special Education	54	46

Note: The source of the above information is the District's ASSA report.

By the end of the 1995-96 school year, the Frenchtown School District was providing instruction for seven special education students, including one from another school district, within one self-contained class. The total number of self-contained classroom students differs from the number reflected in the ASSA report by two students owing to the enrollment of newly classified/transient special education students into the program after the October 15th cut-off date.

Similarly, although the ASSA report shows five students sent out-of-district for instruction, the school's records shows four. Following are the costs associated with sending four students out of district:

School Type	# of Students	Avg. Tuition Per Pupil	Avg. Transportation Cost Per Pupil	Average Total Cost Per Pupil
Private	1	\$23,900	\$6,904	\$30,804
Public	3	\$8,500	\$ 6,904	\$15,404

Based upon data provided by the district, the average cost-per-pupil for out-of-district SE students is conservatively estimated at \$19,254. The district's overall cost-per-pupil (Pre-K to 8) is \$7,884. The district had one special education student received from another school district during school year 1995-96 for whom the district received \$9,717 in tuition revenue.

It appears that the district is attempting to provide as much in-district placement of SE students as is deemed feasible and cost-effective. SE students are not sent out-of-district

unless the district is unable to provide an appropriate level of education in a least restrictive environment. Yearly assessments are made of the SE population and its needs.

In order to help the Frenchtown District identify ways to control costs for self-contained SE classes, the review team sought to determine whether the SE class was at full occupancy. The team found that the class is not filled to State allowable capacities; one additional student could be included. The district could either return the student placed out-of-district to this space or accept a special education student with the same classification from a neighboring school.

**Frenchtown School District - Self-Contained Classes
School Year 1995-96**

<i>Classification</i>	<i># of Aides</i>	<i># of Students</i>	<i>Class Capacity</i>	<i>Available Space</i>
PI & MH	1	7	8	1

The review team recognizes that differences in age grouping or other circumstances may preclude the district from filling the SE classroom to capacity, or that a special situation may exist as a result of analyses completed by the Child Study Teams (CST). The review team also realizes that “allowable capacity” means maximum number of students, not “recommended” number of students. However, it is imperative that the district continue to scrutinize carefully this matter every year and be certain that resources within the district are utilized to the fullest extent possible.

Recommendations:

- 1. The team recommends that the district return one out-of-district SE student to the in-district class to the extent possible under the child’s IEP.**

Average cost for out-of-district SE student	\$19,254
Average cost for out-of-district student transportation	<u>+5,523</u>
	\$24,777
Less the average cost for in-district student	<u>- 7,884</u>
Total savings for each returned SE student	\$16,893

- 2. In the future, if space permits, the district should consider inviting special education students from other districts.**

TOTAL SAVINGS: \$16,893

The costs of special education programs are usually dramatically higher than non-special education programs. These increased costs result from lower student to teacher ratios, the use of aides in the classroom, more intensive curricula, students’ individual education plans (IEP), and specialized staff requirements.

Medicaid Reimbursement

In an effort to save costs, the district participates in the Special Education Medicaid Initiative (SEMI), a Medicaid Insurance reimbursement program that maximizes state revenues. The program reimburses the state and local districts for certain medical related costs incurred for Medicaid qualified special education children.

Frenchtown is enrolled in the program and has been filing claims. The NJ Department of Education develops estimates of the number of students in each district who may be Medicaid eligible. As of September 1997, the district registered 17 special education students and received a total of \$4,677 in claims reimbursements.

Regionalization

The LGBR team believes that it would be remiss in its efforts to provide the residents of Frenchtown and their Board of Education with a complete review of all opportunities for savings and efficiencies without discussing the possibility of regionalization. The level of efficiency in a small school district reaches a point at which it simply cannot go any further. The Boards of Education of Alexandria, Frenchtown, Kingwood, Milford and the Delaware Valley Regional High School recognized this when they authorized a feasibility study in 1990 to determine if regionalization could provide a more effective and cost efficient educational program. That report stated that “while regionalization provides for the better alternatives in terms of education and costs, there are alternatives that can be explored if the districts find that regionalization is not the solution they choose.” The possibility for cooperative ventures that two or more districts can enter into in order to reduce the administrative overhead is to be worthy of careful consideration. One such area is in the overall administration of the district. New Jersey Statutes Title 18A:17 - 24.1 et seq. permits the sharing of a superintendent as well as a school business administrator by two or more boards of education. The statute clearly defines the process to be followed in the creation and administration of these two positions. The educational value of a clear articulation of the curriculum through all grades in all schools must be considered.

Recommendation:

- 1. The LGBR team recommends that a thorough joint study of the districts be commissioned that explores advantages and disadvantages to each district for a single K - 8 school district or any other configuration that is educationally and financially beneficial.**
- 2. It is also recommended that the Frenchtown Board of Education consider talking to surrounding districts about the possibility of sharing the positions of Chief School Administrator and/or Business Administrator.**

III. SHARED SERVICES

Any cooperative effort results in monetary savings to the taxpayer and increase of work efficiencies owing to consistency of staff work practices.

The Frenchtown Board of Education should be commended for cooperative efforts that are already in place, both with the Borough of Frenchtown and with other school districts. The success of these efforts should not preempt the Board from continually seeking new opportunities for joint ventures.

As indicated elsewhere in this report, the Frenchtown Board participates in cooperative ventures with the Hunterdon County Educational Services Commission (ESC) for transportation, purchasing, etc. Further opportunities exist for cost savings through other cooperative purchasing and increased joint services with the county, the municipal government and the surrounding school districts.

Officials in the surrounding districts indicated an eagerness to enter into additional cooperative ventures with the Frenchtown School District. Even if such ventures do not result in huge cost savings for any one school district, the potential for some savings does exist.

In addition, cooperative efforts provide opportunities for the Frenchtown School District to continue to improve its positive relations with neighboring school districts and municipalities.

Areas of expressed interest for shared services by the surrounding districts include purchasing and warehousing, technology, staff development, special education, student programs, and transportation.

Recommendations:

- 1. The review team recommends that the district explore, with the surrounding school districts as well as county and municipal officials, options for collaboration, particularly the receipt or provision of services or programs.**
- 2. The team recommends that the Frenchtown School District specifically explore areas where they can share services with the Borough of Frenchtown. One such area is computer technology. As mentioned elsewhere in this report, the school's technology coordinator should be called upon to provide assistance for the school's administration in automating some of their record keeping; she can possibly do the same for the municipality. Technology purchasing and support, including required staff training, can be coordinated to provide cost savings to the Frenchtown taxpayers. Other areas to be considered are contained in LGBR's report on the Frenchtown Borough.**

IV. STATUTORY AND REGULATORY REFORM

The third and final section of the report, Statutory and Regulatory Reform, identifies those areas where existing State regulations or statutory mandates that appear to have an adverse effect on efficient and cost effective local operations are brought to the attention of the LGBR review team by local officials. It is common for local officials to attribute high costs and increased taxes on “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

Student Count For State Aid Cut-Off Date

In the 1995-96 school year, the Frenchtown Board of Education lost state aid for two special education students who enrolled in the district after October 15, the cut-off date set by existing state statute for establishing the resident enrollment for state aid.

Fiscal year 1997 special education enrollment was likewise determined by the number of special education students enrolled in the district as of October 15, 1996. The team recognizes that school budgets must be decided during April of each year. This requirement makes it necessary for state aid for special education to be pre-determined for the following school year. This presents a problem for the Frenchtown district. There should be an allowance for districts that cannot foresee a growth in special education. Alternatively, some districts have seen a decline in special education enrollment after the October 15 date. If the Department of Education would incorporate allowances for these changes within the budgetary process, it would alleviate some of the pressures that changing enrollments have upon local budgets. These unalterable deadlines can cost a small district like Frenchtown dearly and impact directly upon the mission of educating children in New Jersey by limiting the resources available to a district.

It is proposed that the Department of Education review its policy surrounding the October 15 cut-off date for special education student enrollment and for the determination of state aid and allow for one of the following adjustments based upon changes in enrollment numbers:

1. Adjust state aid based upon a second count, preferably at the end of the school year; or
2. Allow the funding to follow the student from one district to the other upon transfer.

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